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Australian aid in the medium-term after Covid-19:  
Implications for the Indo-Pacific

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# Australian aid in five years' time

By Graham Teskey

In his blog of 4 June, Stephen Howes [said](#) that there was “a lot to like” about DFAT’s new [Partnerships for Recovery](#) strategy. There was also a lot to like about Stephen’s blog. He ended by suggesting that the COVID-19 response strategy was too tentative to be convincing. My concern is different – it is too short term to be convincing. Of course, the strategy is meant to be short term: this is necessary. But I hope that someone somewhere in DFAT is thinking longer term: what will the aid program look like in five years’ time?

Duncan Green has [suggested](#) that COVID-19 will be seen as a “critical juncture” for development. Maybe. But it is certain that COVID-19 will accelerate and interrupt pre-existing trends. Internationally, COVID-19 will accelerate great power ideological competition as political leaders manoeuvre to blame anyone but themselves. It will accelerate the trend to a more ‘Hobbesian’ world – because as states become more competitive and less cooperative, the incentive to shape the world in the state’s own narrow interests through the projection (or use) of military force will intensify.

More positively, COVID-19 may interrupt the populist wave as (some) governments rediscover their appetite for data and sober, reasoned analysis. Where states have performed well, trust in state institutions may be restored. But we don’t know the impact on the social contract.

In Australia, COVID-19 will accelerate the promotion of Australia’s self-interest. This is legitimate: the basic function of any state is to protect its citizens. Equally COVID-19 is likely to accelerate Australia’s enthusiasm for soft power. For a middle-ranking country, soft power matters. Australia will never be able to compete economically or militarily with China, but its appeal lies in the attraction

of its model: “mateship”, “she’ll be right” and “fair dinkum” may be hackneyed and even untrue, but projecting the value of an open, tolerant and compassionate country matters. The post-COVID world will also see a further ‘narrowing’ of Australia’s foreign policy agenda on diplomacy at the expense of development.

What could this mean in five years for the aid program? In this blog, I put forward some answers to this question based on a [paper](#) I have just written with my colleague, Lavinia Tyrrel. Not everyone will agree with me, but the aim is to provoke discussion.

**In terms of policy**, the strategic goal of aid will be further subordinated to foreign policy objectives - poverty reduction will be a distant memory. The aid budget will fall further - to some irreducible minimum. The DAC ODA definition will be abandoned - by Australia and possibly by others too. Greater responsibility, authority and resources will be devolved to Heads of Mission. And funding for multilaterals will be further reduced.

**In terms of geography**, aid programs will be withdrawn in South Asia, as well as in much of mainland Southeast Asia, leaving only Indonesia, the Philippines, and possibly Myanmar and Vietnam. There will be greater focus on the Pacific, and PNG will remain inescapably critical.

**In terms of sectors**, Australian aid may be limited to agriculture (greater self-reliance), education and health. I am not optimistic about the long-term survival of infrastructure support as Australia discovers it cannot compete with China regardless of institutional innovation. An exit from governance is likely - too hard, takes too long and nobody understands it anyway.

**In terms of modalities**, we are likely to see something of a tussle between political preference for short-term transactional investments (and thus ‘results’) and longer-term country-to-country partnerships which secure ‘the ties that bind’. More profoundly, co-production mechanisms in the islands will be reconsidered

and possibly negotiated. There will certainly be increased demand for local partners in place of Australia-based managing contractors.

The implications of these accelerators and intensifiers will play out differently in Southeast Asia and the Pacific. First, interventions will go ‘upstream’ in the MICs (Indonesia and the Philippines) and ‘downstream’ in PNG and the PICs. Second, in the most vulnerable PICs, Australia will consider ‘Compacts of Association’. This idea has been raised over the years, but its time may have come. John Blaxland [suggests](#) that such Compacts should “involve closer partnership arrangements over territorial and maritime domains, assisting with administration and management, security and governance”. Third, the price of access, policy influence and a privileged place at the table will be budget support; free cash into the consolidated account. It can be ‘protected’ to some extent with separate accounting arrangements, but, ultimately, once in the partner account it is their money not ours.

These trends will be expensive. To assist Indonesia and the Philippines improve the effectiveness, efficiency and equity of their domestic resources will be costly. To put in place world-class advice, ‘360 degree wrap-around’ policy support (reporting, evaluation, analysis) cannot be done cheaply. To support the PICs in delivering minimum levels of service delivery will be costly. To fund these strategic shifts, savings made from closing country programs must be reallocated, not banked as Treasury gains. If these issues are ducked, the question becomes – what next? To whom will the MICs and the PICs turn? How much risk is DFAT willing to bear?

Finally, there is a legitimate question of DFAT resourcing. Since integration, the ‘contractor-led policy-lite’ dialogue must be replaced with more senior in-country staff with delegated authority for policy discussions. More staff, more senior policy-literate staff, more specialist staff, greater delegation.

Longer-term thinking has to start now.

*The Working Paper on which this blog is based can be found [here](#) at the Abt Australia Governance and Development Soapbox website.*

*This post is part of the [#COVID-19 and international development](#) series.*

## **About the author/s**

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